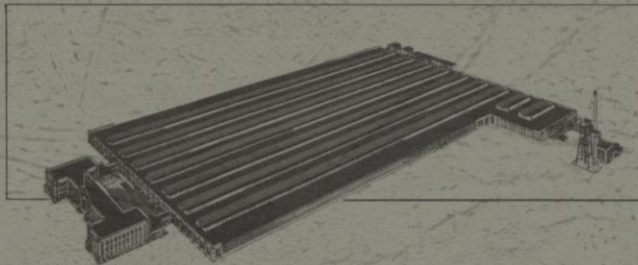




Addressograph-Multigraph Corporation

U. S. PAT. OFF.



REPORT FOR THE YEAR
ENDING JULY THIRTY-FIRST
1946

BOARDS

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Addressograph-Multigraph Corporation

1200 BABBITT ROAD

CLEVELAND 17, OHIO



BOARD OF DIRECTORS

William I. Aitken
Charles K. Arter
Charles R. Battin
George C. Brainard
George W. Codrington

Frank H. Woods, *Chairman*

William R. Dawes
Ernest J. Ferris
Joseph R. Kraus
Henry C. Osborn

Edwin H. Parkhurst
Joseph E. Rogers
John B. Russell, Jr.
David E. White
Thomas C. Woods

•

EXECUTIVE COMMITTEE

George C. Brainard, *Chairman*

Charles K. Arter
Joseph R. Kraus
Edwin H. Parkhurst

Joseph E. Rogers
Frank H. Woods
Thomas C. Woods

•

OFFICERS

GEORGE C. BRAINARD	<i>President and General Manager</i>
HENRY C. OSBORN	<i>Vice-President</i>
CHARLES R. BATTIN	<i>Vice-President and Treasurer</i>
DAVID E. WHITE	<i>Vice-President</i>
J. BASIL WARD	<i>Vice-President, Domestic Distribution</i>
WILLIAM H. CASSON	<i>Vice-President, Manufacturing</i>
GEORGE J. GRIKSELL	<i>Comptroller</i>
ALBERT P. TYLER	<i>Secretary</i>

Transfer Agent

CITY BANK FARMERS TRUST COMPANY
New York

Registrar

GUARANTY TRUST COMPANY
New York

Addressograph-Multigraph Corporation

To the Shareholders:

The Chairman and the President, by order of the Board of Directors, submit herewith the Annual Report of the Corporation for the fiscal year ended July 31, 1946. Accounts of the Corporation and its Canadian subsidiary are consolidated, but accounts of the European subsidiaries are not included.

Investments in German and French subsidiaries were fully written off in 1942 as war losses and taken as deductions from income in that year for U.S. Income and Excess Profits Tax purposes. We do not now have sufficient information at hand to enable us to judge whether there will be any recoverable values or to report the present status of operations. Investment in the British subsidiary is conservatively stated on the Corporation's balance sheet. According to cabled reports of Price, Waterhouse & Co., independent auditors at London, this subsidiary shows earnings for the current fiscal year of approximately \$157,000.

INCOME ACCOUNT

Net profit from operations amounted to \$1,565,518, or \$2.07 per share, after all deductions, including loss of \$101,737 on sale of property in Cleveland on East 40th Street. This compares with net profit of \$1,209,065, or \$1.60 per share, for the year ended July 31, 1945.

Sales, earnings and dividends of the Corporation and its Canadian subsidiary for the past six fiscal years are shown in the following tabulation:

Fiscal Year July 31	1946	1945	1944	1943	1942	1941
Sales:						
Regular products-----	\$25,532,663	\$19,959,687	\$18,111,215	\$18,202,787	\$18,741,971	\$14,599,994
War contracts-----	126,914	7,105,133	9,075,257	10,384,838	3,272,601	-----
Total sales-----	\$25,659,577	\$27,064,820	\$27,186,472	\$28,587,625	\$22,014,572	\$14,599,994
Earnings-----	1,565,518	1,209,065	1,231,599	1,128,349	1,660,750	1,510,042
Per share-----	2.07	1.60	1.63	1.49	2.20	2.00
Dividends paid or accrued--	753,813	753,813	753,813	753,813	753,813	753,813
Per share-----	1.00	1.00	1.00	1.00	1.00	1.00

BALANCE SHEET

Current assets were \$17,430,938 (including cash and investments in U.S. and Canadian Government securities of \$4,018,850); and current liabilities were \$6,062,548. The ratio of current assets to current liabilities is 2.87 to 1. This compares with current assets of \$13,742,368, and current liabilities of \$5,236,358 at July 31, 1945.

The Corporation closed its current year with working capital of \$11,368,390, an increase of \$2,862,380 over the previous year, and an increase of \$4,975,261 since July 1941. These increases in working capital were attributable to additional outstanding long term indebtedness of \$2,025,000 and \$1,825,000, respectively. The balance of \$837,380 for the current year and \$3,150,261 for the five year period represents reinvestment of the Corporation's earnings.

Due to favorable interest rates the Board of Directors considered it timely and advantageous to simplify the Corporation's indebtedness and to provide additional working capital. Therefore, on February 6, 1946, \$2,500,000 Twenty-Year 2¾% Sinking Fund Debentures were sold privately, and \$2,500,000 borrowed at 2¼% under a Ten-Year Bank Loan. The loan is repayable at the rate of \$125,000 on July 1 and January 1 each year to and including January 1, 1956. The first installment of \$125,000 was paid on July 1, 1946. The debentures are repayable at the rate of \$125,000 on July 1 and January 1 each year commencing July, 1956. The proceeds were used to redeem \$2,000,000 Fifteen-Year 3% Sinking Fund Debentures, \$500,000 Ten-Year

3¼% Sinking Fund Debentures, and to pay off a 2¼% bank loan of \$250,000. The balance of the proceeds, amounting to \$2,250,000, was added to working capital. There were no premium payments in connection with these retirements.

SALES

Shipments reached record levels notwithstanding that some materials continued in short supply throughout the year. The increase in domestic and export shipments of Addressograph-Multigraph products amounted to \$5,572,976, or 28%. Export shipments (excluding shipments from Cleveland to foreign subsidiaries) increased 44%.

Orders received from customers in the United States and Canada for machines and supplies increased 34% in dollar volume. Approximately 46% represented orders from new users, compared to a prewar average of 33%. Each new user is a continuing buyer of supplies and accessories for use in connection with the equipment purchased. Through extended use of such equipment each new user is also a potential future prospect for the sale of additional supplies as well as new and replacement machines and equipment. Export orders received at Cleveland for shipment to territories served by the main plant increased 71%.

On July 31, 1946 the backlog of unfilled domestic and export orders for machines and supplies amounted to over \$12,000,000, or an increase of 110%. Shipments for the year were approximately two and one-half times the 1936-41 average. Unfilled export orders for which dollar exchange and import licenses have been granted increased 93%.

The Addressograph-Multigraph field organization was materially strengthened during the year. Many Veterans with years of experience in the business have been re-employed. Training and retraining of the domestic and overseas field forces is being maintained through continuous schooling at the Home Office and in the Field. Through the Methods and Sales Training, and the Mechanical Service Departments, this training keeps the Field organization abreast of the Corporation's new products and developments, equips men with a better understanding of evolution in modern business methods and procedures, and helps them to maintain sales volume.

RESEARCH AND DEVELOPMENT

The research and development programs were broadened and expanded during the year. Many new products designed to meet special requirements of the government during the war are now in production or being tooled by the factory for early release to civilian markets.

The first models of a new line of Addressograph machines in which is incorporated new figure-writing, adding and accounting features are scheduled for release during the forthcoming year. These Addressograph machines and new supplies, accessories and attachments will project Addressograph into new fields and applications not served by present products.

Similarly, new and improved Multigraph machine models developed and released during the year greatly broadened the uses for and sales possibilities of Multigraph products. Development of new features and improvements are to be completed and released during the fiscal year 1946-1947. Outstanding in this respect is a new line of paper Multilith Masters for the Multigraph Duplicator. These new Masters will produce duplicating work of improved quality at decreased cost in markets now served by the Multigraph Duplicator, and also facilitate the sale of equipment for types of duplicating not possible with existing Masters.

The Corporation's engineers and technicians working upon research and product development continue to preserve the leadership of Addressograph and Multigraph throughout the world.

MANUFACTURING

Every effort has been made to increase productivity and efficiency. The program of continued modernization of plant and equipment, here and abroad, has enabled the Corporation to substantially increase its output.

An addition to the Cleveland plant of 36,000 sq. ft. was completed in December, 1945, making possible an improved layout of assembly departments. A rearrangement of fabricating departments, likewise to meet increasing production demands, is approaching completion. Increased employment made possible some reduction in over-time hours. Employed personnel in the factory increased 50% during the year.

Modernization of subsidiary company plant facilities is well under way in Canada and England. Expenditures, spread over a period of 18 to 24 months, will be absorbed by these subsidiaries.

In addition to providing greater productive capacity at lowered costs, the subsidiary plant modernization programs include tooling and manufacture of new Addressograph-Multigraph machine models, attachments and supplies to meet their home and export demand.

EMPLOYEE RELATIONS

During the year, pay rates of factory and office employees were increased in keeping with the national pattern. To date 402 Veterans have been reemployed. We express our admiration for their devotion to duty and extend to these men a hearty welcome home.

On behalf of the entire organization we express deepest sympathy to the families of employees who served in the Armed Forces but did not return.

* * *

To Joseph E. Rogers, who retired as President on December 31, 1945 after serving the Corporation ably and faithfully for 20 years, we extend best wishes for continued health, happiness and prosperity, and convey our deepest appreciation for the success and progress achieved by the Corporation under his management. Although no longer identified with direct operations, Mr. Rogers continues to serve the interests of the Corporation as a Director and Consultant, and is a substantial shareholder.

During the year the following promotions to senior positions were made within the organization. On March 27, 1946, Mr. W. H. Casson, in charge of all the Corporation's plants for 17 years, was made Vice-President in charge of manufacturing. On August 1, 1946, Mr. James Carruthers, then Acting General Manager of the Canadian company, was made Director and Managing Director of Addressograph-Multigraph Ltd., London, England. Mr. Carruthers served the Canadian company for 15 years. On August 1, 1946, Mr. W. H. Layzell, who has served the Canadian company for 14 years, was made Acting General Manager of Addressograph-Multigraph of Canada Limited, Toronto, Ontario.

The Board of Directors wishes to express appreciation to all employees whose splendid efforts throughout the year are reflected in the results herewith set forth.

On behalf of the Board,

FRANK H. WOODS, Chairman,

GEORGE C. BRAINARD, President and General Manager.

October 22, 1946

**Addressograph-Multigraph Corporation
and Canadian Subsidiary Company**

**CONSOLIDATED STATEMENT OF PROFIT AND EARNED SURPLUS
FOR THE YEAR ENDED JULY 31, 1946**

Sales and other income:

Gross sales, less returns, allowances and discounts, other than sales agents discounts -----	\$25,659,577
Interest, discount and other income -----	212,319
	<u>\$25,871,896</u>

Costs and expenses:

Cost of goods sold -----	\$11,871,960
Engineering, laboratory, development, patent and royalty expenses---	557,692
Depreciation and leasehold amortization -----	378,917
Commissions and discounts to sales agents and branch expenses-----	6,631,101
Other selling, advertising, general and administrative expenses-----	2,860,383
Interest and amortization of expenses on long term debt (including \$10,994 unamortized balance of expenses on debt retired) -----	118,543
Loss (net) on disposal of capital assets (including \$101,737 loss on sale of East 40th Street Cleveland property) -----	124,028
Federal income and excess profits taxes (\$690,000 for excess profits tax)—estimated (Note 3) -----	1,640,000
Canadian income and excess profits taxes (after deducting \$12,739 for postwar refundable portion) -----	123,754
	<u>\$24,306,378</u>

Profit (Note 5) -----	\$ 1,565,518
Balance of earned surplus, July 31, 1945 -----	3,062,033
	<u>\$ 4,627,551</u>
Dividends paid—\$1 per share -----	753,813
Balance of earned surplus, July 31, 1946 (including Canadian subsidiary company surplus of \$372,220) (Note 4) -----	<u>\$ 3,873,738</u>

**Addressograph-Multigraph
and Canadian Subsidiaries**
CONSOLIDATED BALANCE SHEET

A S S E T S

Current assets:

Cash in banks and on hand.....\$ 2,342,289

Government securities at cost (approximately market value):

United States\$1,500,000

Canada 176,561

1,676,561

Accounts receivable:

United States Government agencies and departments.....\$1,008,053

Other customers and miscellaneous..... 5,868,824

\$6,876,877

Less—Reserve 287,440

6,589,437

Sales agents accounts for merchandise.....

338,782

Inventories, priced at the lower of cost or market, less reserve
of \$75,403

6,483,869

\$17,430,938

Advances to sales agents and salesmen, other than accounts for
merchandise

\$ 399,821

Less—Reserve 180,114

219,707

Postwar refundable portion of Canadian excess profits tax.....

30,530

Investment in (at cost, less adjustment at acquisition date) and
advances to English subsidiary company, not consolidated
(Note 2)

692,560

Investments in and advances to European companies.....

1

Rental machines\$ 359,128

Less—Reserve for depreciation 186,812

172,316

Fixed assets:

Land, buildings, machinery and equipment, at cost.....\$9,371,582

Less—Reserve for depreciation 4,815,599

\$4,555,983

Leasehold improvements, less amortization 43,909

4,599,892

Patents, trade marks, goodwill, etc.

1

Prepaid insurance, stationery, and other deferred expenses.....

264,345

\$23,410,290

Telegraph Corporation
Subsidiary Company

SHEET (Note 1) — JULY 31, 1946

LIABILITIES

Current liabilities:

Amount of $2\frac{1}{4}\%$ notes payable to banks, due January 1 and July 1, 1947 -----	\$ 250,000
Accounts payable (including deductions from payrolls of \$192,896 for savings bond purchases and federal taxes withheld) -----	1,350,242
Sales agents and salesmen credit balances -----	928,457
Supply contract obligations -----	137,373
Accrued taxes, interest, payroll, commissions and other expenses -----	1,644,277
Federal and Canadian income and excess profits taxes -----	1,752,199
	<u>\$ 6,062,548</u>

Reserves:

For insurance of machines and fixtures in the field -----	\$ 91,026
For additional federal income and excess profits taxes and contingencies (Note 3) -----	<u>1,219,848</u>
	1,310,874

Long term debt:

Notes payable to banks, $2\frac{1}{4}\%$, \$125,000 due semi-annually from January 1, 1947 -----	\$2,375,000
Less—Amount included above in current liabilities ---	250,000
	<u>\$2,125,000</u>
Twenty-year $2\frac{3}{4}\%$ sinking fund debentures, due January 1, 1966, \$125,000 redeemable semi-annually from July 1, 1956 -----	<u>2,500,000</u>
	4,625,000

Capital stock and surplus:

Capital stock

Authorized—1,000,000 shares of \$10 par value	
Issued—760,213 shares -----	\$7,602,130
Less—In treasury, 6,400 shares -----	64,000
	<u>\$7,538,130</u>

Earned surplus, per statement attached (Note 4) -----	<u>3,873,738</u>
---	------------------

11,411,868
\$23,410,290

**Addressograph-Multigraph Corporation
and Canadian Subsidiary Company**

**NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS, JULY 31, 1946**

(1) The accounts for current assets, current liabilities, deferred charges, etc., of the Canadian subsidiary company were converted to U. S. dollars at \$.9645, the rate current at July 31, 1946; the accounts for rental machines and fixed assets and the relative reserves at \$1.00 and the income and expense accounts at an average of the rates in effect during the year. The U. S. dollar equivalent of the net assets of the Canadian subsidiary company included in the consolidated balance sheet, converted as explained above, amounted to \$673,283, of which \$552,560 represents net current assets.

(2) At July 31, 1946 the U. S. dollar equivalent of the net assets of the English subsidiary company amounted to approximately \$1,886,000, or \$1,203,000 in excess of the amount carried for the investment. This excess represents the undistributed surplus of the English subsidiary company since the date of acquisition, before adjustment, if any, for intercompany profit in inventories.

For the year ended July 31, 1946 the English subsidiary company reported a profit of £39,080, equivalent in U. S. dollars to approximately \$157,000 which, of course, is not reflected in the accompanying statements.

(3) The accuracy of the reserve for additional federal income and excess profits taxes depends on the audit and settlement by the Bureau of Internal Revenue of the returns for 1940 to 1945 inclusive. Such settlement may have a bearing, not determinable at present, on the provision of \$1,640,000 charged to expenses for the current year.

(4) Under the terms of the Agreement covering the notes payable to banks and of the Trust Indenture covering the Sinking Fund Debentures, the company has agreed not to declare or pay dividends (except stock dividends), unless certain conditions are met. As more fully set forth in the aforesaid Agreement and Indenture, the principal condition is, briefly, that dividends shall not exceed the sum of consolidated profit of the company and its Canadian subsidiary company earned after July 31, 1945 and \$400,000.

(5) Renegotiation proceedings in respect of operations of the parent company for the first five months (to December 31, 1945) of the year ended July 31, 1946 and in respect of operations for the year ended July 31, 1945 have not reached a final settlement. For the Canadian subsidiary company renegotiation proceedings for the fiscal years 1941 to 1945 inclusive also have not been settled. However, it is the opinion of the management that the net amount of refund, if any, will be small.

PRICE, WATERHOUSE & CO.

UNION COMMERCE BUILDING

CLEVELAND 14

To the Board of Directors,
Addressograph-Multigraph Corporation.

We have examined the consolidated balance sheet of Addressograph-Multigraph Corporation and its Canadian subsidiary company as of July 31, 1946, and the consolidated statement of profit and earned surplus for the fiscal year then ended. It was not deemed practicable to obtain direct confirmation of the accounts receivable from United States Government agencies and departments, as to which, however, we satisfied ourselves by means of certain other tests. Our examination was made in accordance with generally accepted auditing standards, except as stated above, applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion the aforesaid financial statements present fairly the consolidated position of Addressograph-Multigraph Corporation and its Canadian subsidiary company at July 31, 1946 and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio

October 10, 1946

Price, Waterhouse & Co

Increased efficiency and productivity have made possible a greater output during the year. Typical of present-day production is this Multigraph assembly line.



Continued modernization of plant and equipment was facilitated by addition of 36,000 square feet of manufacturing space. This view shows the final testing section of Addressograph Class 1900 machines.





Addressograph

AND

Multigraph

**alone—together—or with other
office machines—can improve and
simplify your business methods**

Addressograph and Multigraph machines provide business with the fastest and most accurate method of writing and duplicating information on paper.

Most every department of business copies the same words and figures over and over—many more times than you realize. In every one of these departments Addressograph-Multigraph Simplified Business Methods can be used profitably.

You can write or reproduce anything that involves repetition or duplication with Addressograph and Multigraph equipment. . . alone, in combination, or in conjunction with other business machines and systems. They cut out waste motions, eliminate errors, get work out faster and improve efficiency at every step.

Telephone our local office or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio. Sales Agencies with service and supply departments in principal cities of the world.

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